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Monthly Hog Market Update

January 11, 2012

North American daily average hog prices (carcass – Iowa/Minnesota.) appear to have stabilized after declining for most of December and should start to improve in January. Average daily base Iowa hog prices in December ranged between US\$77.75 and US\$85.33 per hundredweight (cwt), with a non-weighted monthly average of US\$81.03 per cwt, down US\$2.22 per cwt or 2.7 per cent from the November average of US\$83.25 cwt. (Source: LMIC). The Iowa/Minnesota carcass price on Tuesday, January 10, averaged US\$82.43 per cwt, which is equivalent to just over CDN\$173 per ckg, before the basis. The price of Maple Leaf Signature#3 Index 100 hogs on January 10 was \$155.90 per ckg, with last week's weekly pool price being \$149.53 per ckg. The Canadian dollar closed Tuesday at 98.33 cents, up 0.68 cents from the closing average of 97.65 cents in December. Continued global economic uncertainty has maintained the volatility between the Canadian and U.S. dollar.

United States Hog Production

The USDA's December 23, 2011, *Quarterly Hogs and Pigs Report* indicated that the total U.S. inventory of hogs and pigs on December 1, 2011, was 65.931 million head, down 1.2 per cent from 66.744 million head on September 1, 2011, but up 1.5 per cent from 64.925 million head on December 1, 2010.

The market hog inventory on December 1, 2011, was 60.128 million head, down 1.3 per cent from 60.938 million head on September 1, 2011, but up 1.7 per cent from 59.147 million head on December 1, 2010. Compared to a year ago, the market hog inventory numbers have increased 2.2 per cent in the under-50-lb. category, increased 2.3 per cent in the 50- to 119-lb category, increased 2.0 per cent in the 120- to 179-lb category, but decreased 0.4 per cent in the 180-lb.-and-over category.

The total breeding inventory in the United States on December 1, 2011, was 5.803 million head, down slightly from 5.806 million head on September 1, 2011, but up 0.4 per cent from 5.778 million head on December 1, 2010.

The USDA's December *Hogs and Pigs Inventory Report* came in overall slightly higher than average trade estimates. Total hog inventories were up about 1.5 per cent while the trade estimates predicated a 1.3-per-cent increase. Market hog inventories were up 1.7 per cent while the trade estimates predicated a 1.3-per-cent increase. Breeding hog inventories were actually slightly below average trade estimates as actual numbers were up 0.4 per cent while the trade estimates predicated a 0.8-per-cent increase.

U.S. sow productivity year-over-year, over the last four quarters increased on average by over 1.9-per-cent. Productivity increases in the September-to-November quarter did slow down from previous quarters. Year-over-year, the quarterly increases were 1.3 per cent for the September-to-November 2011 quarter (9.89 to 10.02 pigs per litter), 2.2 per cent for the June-to-August 2011 quarter (9.81 to 10.03 pigs per litter), 2.2 per cent for the March-to-May 2011 quarter (9.81 to 10.03 pigs per litter), and 2.0 per cent for the December-to-February 2011 quarter (9.61 to 9.80 pigs per litter).

The September-to-November 2011 pig crop was 29.014 million head, up 526,000 head or 1.8 per cent from 28.488 million head over the same quarter in 2010. The June-to-August 2011 pig crop was 29.084 million head, up 213,000 head or 0.7 per cent from 28.871 million head from the same quarter a year ago. The March-to-May 2011 pig crop was revised up 401,000 head to 29.252 million head, up 522,000 head or 1.8 per cent from 28.730 million head the same quarter in 2010. The total pig crop for the last four quarters ending November 2011 was estimated at 115.216 million head, up 1,531,000 head or 1.3 per cent from 113.658 million head the corresponding previous four quarters. (Table#1)

Table 1: United States Quarterly Pig Crop

Quarter	Thousand Head				Year Ago % Change
	2008	2009	2010	2011	
Dec - Feb (1)	28,388	28,552	27,596	27,866	0.978%
Mar - May	28,631	29,012	28,730	29,252	1.817%
June - Aug	29,240	28,718	28,871	29,084	0.738%
Sept - Nov	28,771	28,260	28,488	29,014	1.846%
TOTAL	115,030	114,542	113,685	115,216	1.347%

(1) December preceeding year.

Source: USDA Hogs and Pigs Report, December 2011

The number of sows farrowing during the September-to-November 2011 quarter was 2.894 million head, up 0.5 per cent from 2.881 million head during the September-to-November 2010 quarter. The number of sows farrowing during the June-to-August 2011 quarter was 2.900 million head, down 1.5 per cent from 2.944 million head during the June-to-August 2010 quarter (Table#2). Actual farrowing numbers for the last four quarters ending November 2011 were estimated at 11.554 million head, down 72,000 head or 0.6 per cent from the same period ending November 2010.

Table 2: United States, Sows Farrowing and Intentions

Quarter	Quarterly Sows Farrowing and Intentions Thousand Head				Actual Year Ago % Change
	2009	2010	2011	2012	
Dec - Feb (1)	3,011	2,872	2,843	2,865 (2)	-1.010%
Mar - May	3,018	2,929	2,917	2,890 (2)	-0.410%
June - Aug	2,959	2,944	2,900		-1.495%
Sept - Nov	2,915	2,881	2,894		0.451%
TOTAL	11,903	11,626	11,554		-0.619%

(1) December preceeding year.

(2) Farrowing Intentions.

Source: USDA Hogs and Pigs Report, December 2011

Farrowing intentions for the December-to-February 2012 period are estimated at 2.865 million head, up 0.8 per cent from 2.843 million head over the same quarter a year ago. Farrowing intentions for the March-to-May 2012 period are estimated at 2.890 million head, down 0.9 per cent from 2.917 million head over the same quarter in 2011.

Canadian and U.S. Farrowing Numbers

Combined Canadian and U.S. farrowing numbers had a decline in farrowing numbers of 1.5 per cent for the third quarter of 2011, but will result in an increase of 0.5 per cent pigs born, year-over-year. Combined Canadian farrowing intentions and U.S. actual farrowing numbers for the fourth quarter of 2011 show a slight increase in farrowing numbers and with continued U.S. productivity gains will result in pigs born increasing between one and two percent, compared to the fourth quarter in 2010. The North American hog industry will see production growth in 2012 as farrowing intentions start to increase overall.

Table 3: Combined Canada and U.S. Farrowings and Pigs Born

	Sows Farrowing				Pigs Born			
	2009	2010	2011	% Chg	2009	2010	2011	% Chg
Dec.-Feb. (U.S.)	3,011.0	2,872.0	2,843.0	-1.0%	28,552.0	27,596.0	27,866.0	1.0%
Jan.-March (Cdn.)	754.7	723.0	708.2	-2.0%	8,146.2	7,837.3	7,659.4	-2.3%
Total	3,765.7	3,595.0	3,564.0	-0.9%	36,698.2	35,433.3	35,525.4	0.3%
March-May (U.S.)	3,018.0	2,929.0	2,917.0	-0.4%	29,012.0	28,730.0	29,252.0	1.8%
April- June (Cdn.)	736.7	702.5	678.1	-3.5%	7,964.3	7,614.6	7,415.6	-2.6%
Total	3,754.7	3,631.5	3,595.1	-1.0%	36,976.3	36,344.6	36,667.6	0.9%
June-August (U.S.)	2,959.0	2,944.0	2,900.0	-1.5%	28,718.0	28,871.0	29,084.0	0.7%
July-Sept. (Cdn.)	735.5	710.7	698.8	-0.1%	7,956.7	7,695.8	7,678.7	-0.2%
Total	3,694.5	3,654.7	3,598.8	-1.5%	36,674.7	36,566.8	36,762.7	0.5%
Sept.-Nov. (U.S.)	2,915.0	2,881.0	2,894.0	-0.2%	28,260.0	28,488.0	29,014.0	
Oct.-Dec. (Cdn.)	723.5	713.5	(p) 707.2	0.2%	7,836.1	7,718.8		
	3,638.5	3,594.5	(p) 3,601.2	0.2%	36,096.1	36,206.8		

(p) projections

Source: USDA and Stats Canada

United States Hog Slaughter

The number of hogs slaughtered under federal inspection in the U.S. for the week shorter week ending January 7, 2012 was estimated at 2.063 million head, down 5.1 per cent from 2.175 million head over the same period a year ago, but up 4.9 per cent from 1.967 million head the previous shorter Christmas week.

Slaughter numbers in the U.S. over the last eight weeks averaged an estimated 2.208 million head per week, up 2.4 per cent from 2.156 million head over the same period a year ago (Table#4). U.S. hog slaughter numbers over the last four weeks averaged an estimated 2.134 million head, up 2.9 per cent from 2.073 million head over the same period in 2010.

U.S. pork production for the shorter week ending January 7, 2012 was estimated at 427.9 million lb., down 6.0 per cent from 455.2 million lb. the same week a year ago, but up 4.4 per cent from 409.8 million lb. the previous shorter Christmas week. U.S. pork production over the last eight weeks ending January 7, 2012, averaged an estimated 459.2 million lb. per week, up 2.5 per cent from 447.9 million lb. the same period a year ago,

while pork production over the last four weeks averaged 442.6 million lb., up 2.8 per cent from 430.5 million lb. the same period a year ago (Table#4).

Table 4: United States Weekly Hog Slaughter and Pork Production

Week Ending	Weekly Hog Slaughter		Year Ago Per cent Change	Weekly Pork Production		Year Ago Per cent Change
	2010	2011		2010	2011	
	(thousand head), week			(million lbs.), week		
19-Nov	2,326.1	2,368.6	1.83%	482.6	492.9	2.13%
26-Nov	2,061.3	2,070.6	0.45%	428.3	430.4	0.49%
3-Dec	2,325.5	2,363.7	1.64%	484.3	495.0	2.21%
10-Dec	2,242.9	2,328.4	3.81%	465.9	485.0	4.10%
17-Dec	2,344.3	2,349.1	0.20%	485.3	487.1	0.37%
24-Dec	1,851.4	2,156.4	16.47%	382.1	445.6	16.62%
31-Dec	1,923.7	1,967.0	2.25%	399.5	409.8	2.58%
7-Jan	2,174.5	2,063.0	-5.13%	455.2	427.9	-6.00%
4 Wk. Avg.	2,073.48	2,133.88	2.91%	430.53	442.60	2.80%
8 Wk. Avg.	2,156.21	2,208.35	2.42%	447.90	459.21	2.53%

Source: USDA, LMIC

Canadian Hog Slaughter

In Canada, federal and provincial hog slaughter numbers for the shorter Christmas week ending December 31, 2011, averaged 291,574 head, down 1.5 per cent from 295,958 head the same week a year ago, and down 23.7 per cent from 291,574 head the previous week. In Canada, federal and provincial hog slaughter numbers over the seven weeks ending December 31, 2011, averaged 413,521 head, up 3.9 per cent from 398,068 head over the same seven weeks ending January 1, 2011. Preliminary estimates for total hogs slaughtered in Canada in 2011 are 21.095 million head, down slightly from 21.123 million head in 2010.

In Western Canada, federal and provincial hog slaughter numbers for the shorter week ending December 31, 2011, averaged 132,195 head, down 1.4 per cent from 134,055 head the same week a year ago, and down 12.8 per cent from the previous week. In Western Canada, federal and provincial hog slaughter numbers for the seven weeks ending December 31, 2011, averaged 166,409 head, up 4.5 per cent from 159,194 head over the same seven weeks ending January 1, 2011. Preliminary estimates for total hogs slaughtered in Western Canada in 2011 are 8.567 million head, up 0.6 per cent from 8.518 million head in 2010.

Meat In U.S. Cold Storage

The United States' pork stocks in cold storage totaled 494.9 million lb. on November 30, 2011, up 1.3 per cent from 488.7 million lb. on October 31, 2011, and up 5.8 per cent from 467.9 million lb. on November 30, 2010 (Table#5).

The U.S. beef stocks in cold storage totaled 437.6 million lb. on November 30, 2011, up 5.5 per cent from 414.6 million lb. on October 31, 2011, and up 0.5 per cent from 435.2 million lb. on November 30, 2010.

Table 5: United States Stocks in Cold Storage (Frozen)

Commodity	1,000 Pounds		November 30, 2011
	November 30, 2010	October 31, 2011	
Pork	467,950	488,721	494,880
Beef	435,174	414,627	437,563
Chicken	762,790	695,410	659,035
Turkey	174,110	406,864	192,993
Total Combined	1,840,024	2,005,622	1,784,471

Source: NASS

Total U.S. poultry stocks in cold storage totaled 854.6 million lb. on November 30, 2011, down 22.7 per cent (primarily post Thanksgiving) from 1,105.9 million lb. on Oct. 31, 2011, and down 9.1 per cent from 940.0 million lb. on November 30, 2010.

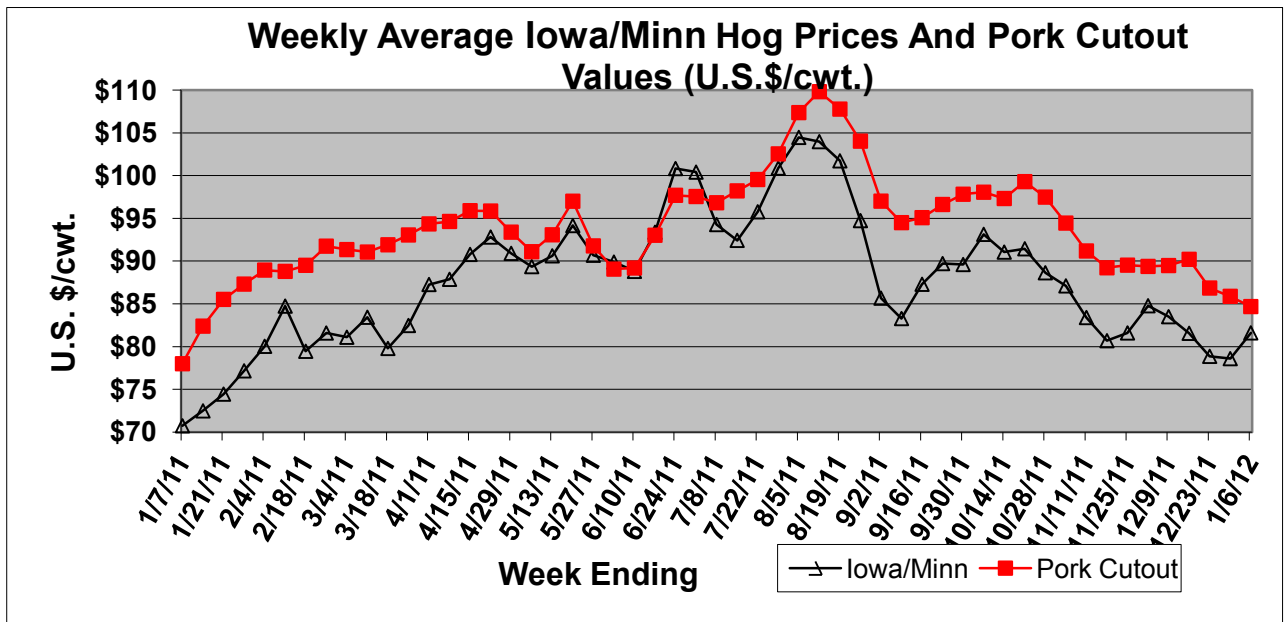
U.S. combined pork, beef, chicken and turkey stocks in cold storage totaled 1.784 billion lb. on November 30, 2011, down 11.0 per cent from 2.006 billion lb. on October 31, 2011, and down 3.0 per cent from 1.840 billion lb. on November 30, 2010.

Pork cutout values (All prices in U.S. dollars)

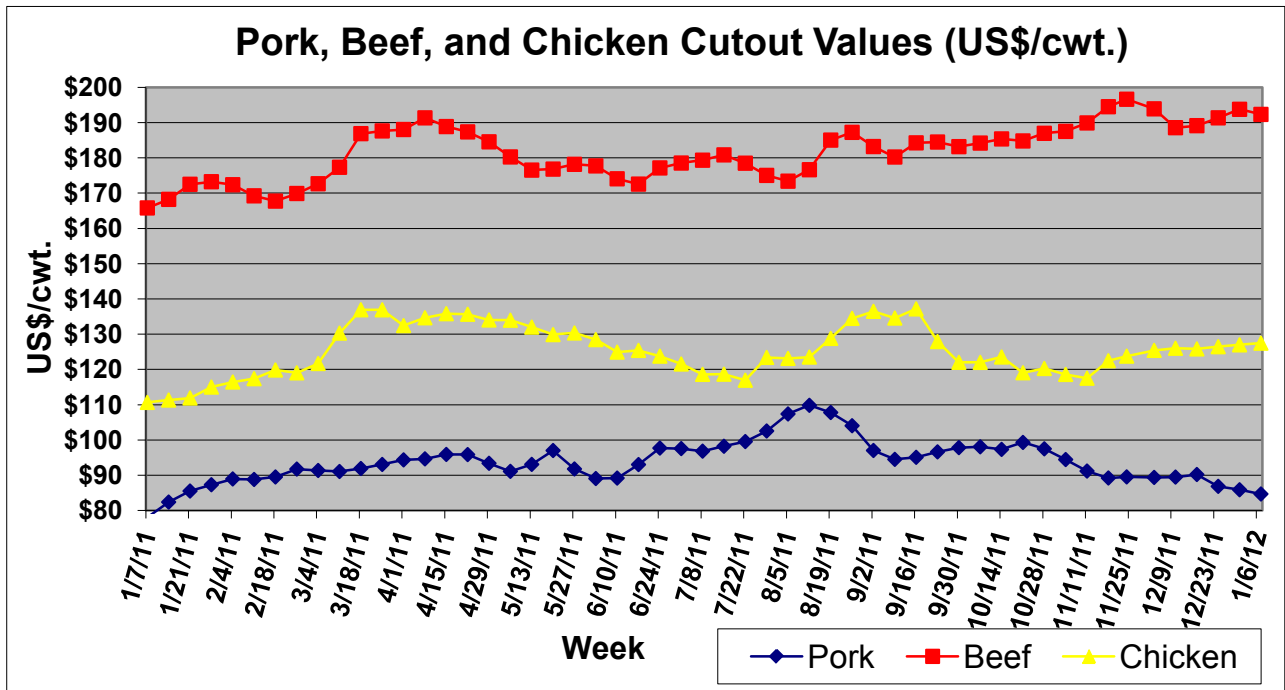
The pork cutout value (185 lb.) in the U.S. trended lower in December from November. The pork cutout values over the last few weeks have been declining after some very strong fall prices. The pork cutout value in the U.S. ended the week of January 7, 2012, averaging \$84.68 per cwt, down 1.4 per cent from \$85.88 per cwt the previous week, but up \$6.69 per cwt or 8.6 per cent from \$77.99 per cwt a year ago. Hams (51 to 52 per cent lean) ended the week averaging \$69.13 per cwt, down \$1.08 per cwt or 1.5 per cent from \$70.21 per cwt the previous week, but up 5.4 per cent from \$65.61 per cwt a year ago. Loins (51 to 52 per cent lean) averaged \$92.94 per cwt, down 1.4 per cent from \$94.28 per cwt the previous week, but up \$4.69 per cwt or 5.3 per cent from \$88.25 per cwt a year ago. Bellies (51 to 52 per cent lean) closed the week averaging \$108.39 per cwt, up slightly from \$108.30 per cwt the previous week, and up \$9.64 per cwt or 9.8 per cent from \$98.75 per cwt a year ago.

The average spread between the national pork cutout value and the Iowa/Minnesota base hog price did not change much from November to December and was close to the five year average (about US\$7 per cwt) for December. The price-spread did decline last week compared to previous weeks.

The price spread between pork and beef and pork and chicken has increased over the last few weeks as both beef and chicken prices have increased relative to pork prices. The current price spread between pork and beef is above the five-year average while the price spread between pork and chicken (breasts) continues to be below the five-year average (lower chicken prices).



Source: Livestock Marketing Information Center



Source: Livestock Marketing Information Center

Market Overview and Prices

North American daily cash hog prices (Iowa/Minnesota) appear to have stabilized after declining for most of December. Pork cutout values have also declined in December from November. The amount of pork in U.S. cold storage has increased 1.3 per cent from October to November, and is 5.8 per cent higher, year-over-year. Combined pork, beef and poultry stocks in U.S. cold storage decreased by 11.0 per cent from October to November, and were 3.0 per cent lower than a year ago.

In his December *Quarterly Hogs and Pigs Report Summary*, Ron Plain of the University of Missouri forecasted that U.S. commercial hog slaughter numbers would increase to 28.060 million head in the first quarter of 2012 (up 2.1 per cent), increase to 26.700 million head in the second quarter of 2012 (up 2.3 per cent), increase to 27.560 million head in the third quarter of 2012 (up 0.7 per cent), and increase to 30.600 million head in the fourth quarter of 2012 (up 2.6 per cent), compared to their respective quarters in 2011. Slaughter numbers were revised upward for the first, second, and fourth quarters, while the third quarter of 2012 was revised down from his September report. Hog slaughter numbers were forecasted to increase to 112.920 million in 2012, up 1.9 per cent from 110.791 million head in 2011 (Table#6). (Source: Ron Plain) Hog pricing for all 2012 quarters were revised upward from his September report with pricing forecasted to average between US\$84 to US\$88 per cwt in 2012.

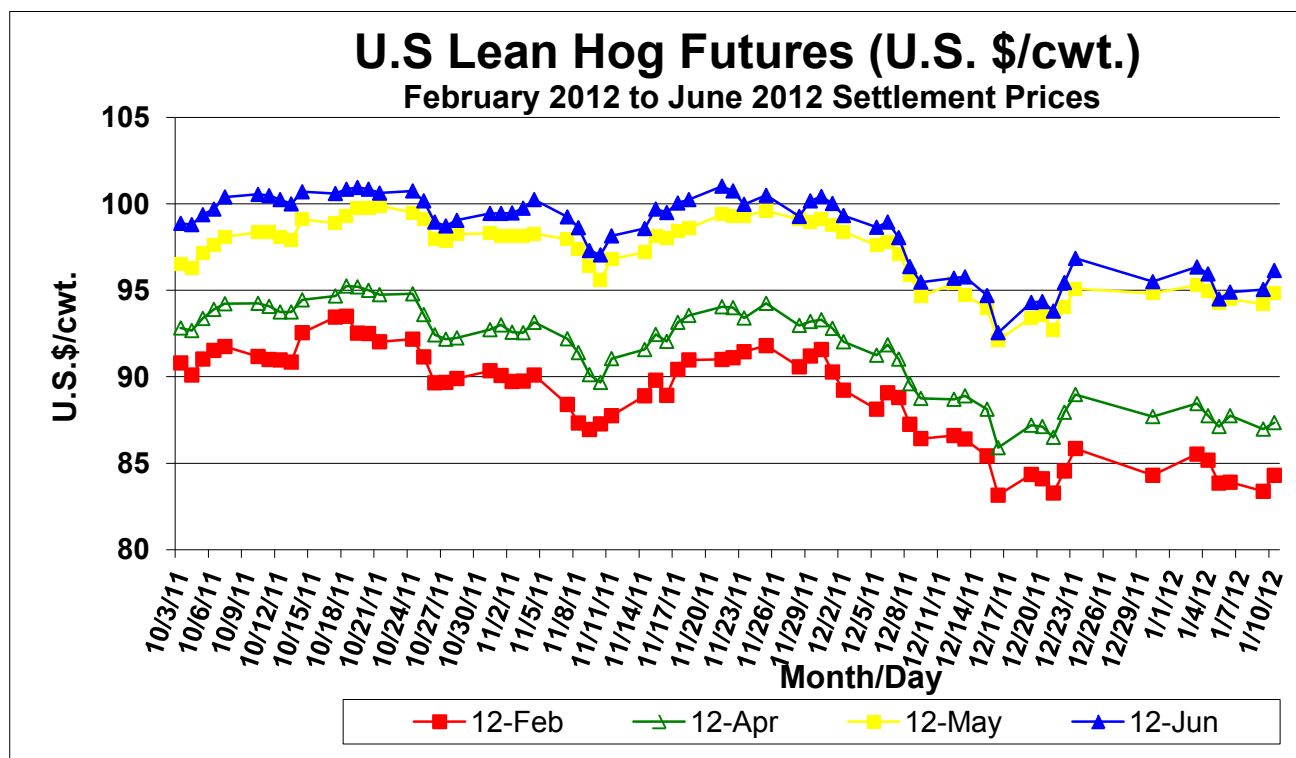
Table 6: United States Estimated Commercial Hog Slaughter And Carcass Prices, By Quarter

		Commercial Slaughter	Iowa-Minn Base Carcass
Year	Quarter	(Million Head)	(\$U.S./cwt.)
2009	1	28.503	\$57.23
	2	27.072	\$57.32
	3	28.428	\$51.43
	4	29.615	\$54.98
	Year	113.618	\$55.23
2010	1	27.630	\$66.81
	2	26.074	\$79.04
	3	26.930	\$79.44
	4	29.626	\$65.21
	Year (f)	110.260	\$72.62
2011	1	27.486	\$79.28
	2	26.113	\$91.80
	3	27.374	\$94.03
	4 (e)	29.819	\$85.22
	Year (e)	110.791	\$87.58
2012	1 (f)	28.060	\$82 - \$86
	2 (f)	26.700	\$89 - \$93
	3 (f)	27.560	\$89 - \$93
	4 (f)	30.600	\$77 - \$81
	Year (f)	112.920	\$84 - \$88

(e) Estimated, (f) Forecasted

Source: Ron Plain, University of Missouri – Columbia (December 27, 2011)

The nearby lean hog futures prices had started rebounding in mid November before further declining in December. Continued global economic uncertainty and ample North American hog supplies in December have kept downward pressure on nearby futures prices. Nearby futures prices are a few dollars above current cash hog prices. Continued strong export demand will be key for strong lean hog futures prices early in 2012 considering the negatively surrounding the global economy.



Source: Chicago Mercantile Exchange

The value of the Canadian dollar versus the U.S. dollar continues to be volatile with daily exchange rates in December hitting a low of 95.94 cents on December 14, with a monthly high of 99.48 cents on December 8. This volatility significantly impacts Canadian cash hog prices. The December daily closing average exchange was 97.65 cents.

Based on the current lean hog futures prices and the Canadian exchange rate futures, the futures market is indicating that Saskatchewan Index 100 hogs could average between \$150 and \$160 per ckg for the remainder of the first quarter of 2012. Hog prices could further increase between \$165 and \$175 per ckg into the second quarter of 2012.

With North American pork production expected to increase in 2012 (1-2 per cent), continued strong pork demand, particularly from continued strong pork exports, will be key in pushing hog prices higher over the coming months and into spring.

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